SUPREME COURT OF THE UNITED STATES

No. 91–886

BOB REVES, ET AL., PETITIONERS *v.*
ERNST & YOUNG

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

[March 3, 1993]

JUSTICE BLACKMUN delivered the opinion of the Court.[1]

This case requires us once again to interpret the provisions of the Racketeer Influenced and Corrupt Organizations (RICO) chapter of the Organized Crime Control Act of 1970, Pub. L. 91–452, Title IX, 84 Stat. 941, as amended, 18 U. S. C. §§1961–1968 (1988 ed. and Supp. II). Section 1962(c) makes it unlawful "for any person employed by or associated with any enterprise engaged in, or the activities of which affect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity . . . ." The question presented is whether one must participate in the operation or management of the enterprise itself to be subject to liability under this provision.

The Farmer's Cooperative of Arkansas and Oklahoma, Inc. (the Co-Op), began operating in western Arkansas and eastern Oklahoma in 1946. To raise money for operating expenses, the Co-Op sold promissory notes payable to the holder on demand. Each year, Co-Op members were elected to serve on its board. The board met monthly but delegated

[1]JUSTICE SCALIA and JUSTICE THOMAS do not join Part IV-A of this opinion.

actual management of the Co-Op to a general manager. In 1952, the board appointed Jack White as general manager.

In January 1980, White began taking loans from the Co-Op to finance the construction of a gasohol plant by his company, White Flame Fuels, Inc. By the end of 1980, White's debts to the Co-Op totalled approximately $4 million. In September of that year, White and Gene Kuykendall, who served as the accountant for both the Co-Op and White Flame, were indicted for federal tax fraud. At a board meeting on November 12, 1980, White proposed that the Co-Op purchase White Flame. The board agreed. One month later, however, the Co-Op filed a declaratory action against White and White Flame in Arkansas state court alleging that White actually had sold White Flame to the Co-Op in February 1980. The complaint was drafted by White's attorneys and led to a consent decree relieving White of his debts and providing that the Co-Op had owned White Flame since February 15, 1980.

White and Kuykendall were convicted of tax fraud in January 1981. See *United States* v. *White*, 671 F. 2d 1126 (CA8 1982) (affirming their convictions). Harry Erwin, the managing partner of Russell Brown and Company, an Arkansas accounting firm, testified for White, and shortly thereafter the Co-Op retained Russell Brown to perform its 1981 financial audit. Joe Drozal, a partner in the Brown firm, was put in charge of the audit and Joe Cabaniss was selected to assist him. On January 2, 1982, Russell Brown and Company merged with Arthur Young and Company, which later became respondent Ernst & Young.[2]

One of Drozal's first tasks in the audit was to determine White Flame's fixed-asset value. After consulting with White and reviewing White Flame's books (which Kuykendall had prepared), Drozal

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[2]In order to be consistent with the terminology employed in earlier judicial writings in this case, we hereinafter refer to the respondent firm as "Arthur Young."

concluded that the plant's value at the end of 1980 was $4,393,242.66, the figure Kuykendall had employed. Using this figure as a base, Drozal factored in the 1981 construction costs and capitalized expenses and concluded that White Flame's 1981 fixed-asset value was approximately $4.5 million. Drozal then had to determine how that value should be treated for accounting purposes. If the Co-Op had owned White Flame from the beginning of construction in 1979, White Flame's value for accounting purposes would be its fixed-asset value of $4.5 million. If, however, the Co-Op had purchased White Flame from White, White Flame would have to be given its fair market value at the time of purchase, which was somewhere between $444,000 and $1.5 million. If White Flame were valued at less than $1.5 million, the Co-Op was insolvent. Drozal concluded that the Co-Op had owned White Flame from the start and that the plant should be valued at $4.5 million on its books.

On April 22, 1982, Arthur Young presented its 1981 audit report to the Co-Op's board. In that audit's Note 9, Arthur Young expressed doubt whether the investment in White Flame could ever be recovered. Note 9 also observed that White Flame was sustaining operating losses averaging $100,000 per month. See *Arthur Young & Co.* v. *Reves*, 937 F. 2d 1310, 1318 (CA8 1991). Arthur Young did not tell the board of its conclusion that the Co-Op always had owned White Flame or that without that conclusion the Co-Op was insolvent.

On May 27, the Co-Op held its 1982 annual meeting. At that meeting, the Co-Op, through Harry C. Erwin, a partner in Arthur Young, distributed to the members condensed financial statements. These included White Flame's $4.5 million asset value among its total assets but omitted the information contained in the audit's Note 9. See 937 F. 2d, at 1318–1319. Cabaniss was also present. Erwin saw

the condensed financial statement for the first time when he arrived at the meeting. In a 5–minute presentation, he told his audience that the statements were condensed and that copies of the full audit were available at the Co-Op's office. In response to questions, Erwin explained that the Co-Op owned White Flame and that the plant had incurred approximately $1.2 million in losses but he revealed no other information relevant to the Co-Op's true financial health.

The Co-Op hired Arthur Young also to perform its 1982 audit. The 1982 report, presented to the board on March 7, 1983, was similar to the 1981 report and restated (this time in its Note 8) Arthur Young's doubt whether the investment in White Flame was recoverable. See 937 F. 2d, at 1320. The gasohol plant again was valued at approximately $4.5 million and was responsible for the Co-Op's showing a positive net worth. The condensed financial statement distributed at the annual meeting on March 24, 1983, omitted the information in Note 8. This time, Arthur Young reviewed the condensed statement in advance but did not act to remove its name from the statement. Cabaniss, in a 3–minute presentation at the meeting, gave the financial report. He informed the members that the full audit was available at the Co-Op's office but did not tell them about Note 8 or that the Co-Op was in financial difficulty if White Flame were written down to its fair market value. *Ibid.*

In February 1984, the Co-Op experienced a slight run on its demand notes. On February 23, when it was unable to secure further financing, the Co-Op filed for bankruptcy. As a result, the demand notes were frozen in the bankruptcy estate and were no longer redeemable at will by the noteholders.

On February 14, 1985, the trustee in bankruptcy

filed suit against 40 individuals and entities, including Arthur Young, on behalf of the Co-Op and certain noteholders. The District Court certified a class of noteholders, petitioners here, consisting of persons who had purchased demand notes between February 15, 1980, and February 23, 1984. Petitioners settled with all defendants except Arthur Young. The District Court determined before trial that the demand notes were securities under both federal and state law. See *Robertson* v. *White*, 635 F. Supp. 851, 865 (WD Ark. 1986). The court then granted summary judgment in favor of Arthur Young on the RICO claim. See *Robertson* v. *White*, Nos. 85–2044, 85–2096, 85–2155, and 85–2259 (WD Ark. Oct. 15, 1986), App. 198–200. The District Court applied the test established by the Eighth Circuit in *Bennett* v. *Berg*, 710 F. 2d 1361, 1364 (en banc), cert. denied, *sub nom. Prudential Ins. Co. of America* v. *Bennett*, 464 U. S. 1008 (1983), that §1962(c) requires "some participation in the operation or management of the enterprise itself." App. 198. The court ruled: "Plaintiffs have failed to show anything more than that the accountants reviewed a series of completed transactions, and certified the Co-Op's records as fairly portraying its financial status as of a date three or four months preceding the meetings of the directors and the shareholders at which they presented their reports. We do not hesitate to declare that such activities fail to satisfy the degree of management required by *Bennett v. Berg*." *Id.*, at 199–200.

The case went to trial on the state and federal securities fraud claims. The jury found that Arthur Young had committed both state and federal securities fraud and awarded approximately $6.1 million in damages. The Court of Appeals reversed, concluding that the demand notes were not securities under federal or state law. See *Arthur Young & Co.* v. *Reves*, 856 F. 2d 52, 55 (1988). On writ of certiorari, this Court ruled that the notes were securities within

the meaning of §3(a)(10) of the Securities Exchange Act of 1934, 48 Stat. 882, as amended, 15 U. S. C. §78c(a)(10). *Reves* v. *Ernst & Young*, 494 U. S. 56, 70 (1990).

On remand, the Court of Appeals affirmed the judgment of the District Court in all major respects except the damages award, which it reversed and remanded for a new trial. See 937 F. 2d, at 1339–1340. The only part of the Court of Appeals' decision that is at issue here is its affirmance of summary judgment in favor of Arthur Young on the RICO claim. Like the District Court, the Court of Appeals applied the "operation or management" test articulated in *Bennett* v. *Berg* and held that Arthur Young's conduct did not "rise to the level of participation in the management or operation of the Co-op." See 937 F. 2d, at 1324. The Court of Appeals for the District of Columbia Circuit also has adopted an "operation or management" test. See *Yellow Bus Lines, Inc.* v. *Drivers, Chauffeurs & Helpers Local Union 639*, 286 U. S. App. D. C. 182, 188, 913 F. 2d 948, 954 (1990) (en banc), cert. denied, 501 U. S. ___ (1991). We granted certiorari, 502 U. S. ___ (1992), to resolve the conflict between these cases and *Bank of America National Trust & Savings Assn.* v. *Touche Ross & Co.*, 782 F. 2d 966, 970 (CA11 1986) (rejecting requirement that a defendant participate in the operation or management of an enterprise).

"In determining the scope of a statute, we look first to its language. If the statutory language is unambiguous, in the absence of `a clearly expressed legislative intent to the contrary, that language must ordinarily be regarded as conclusive.'" *United States* v. *Turkette*, 452 U. S. 576, 580 (1981), quoting *Consumer Product Safety Comm'n* v. *GTE Sylvania, Inc.*, 447 U. S. 102, 108 (1980). See also *Russello* v. *United States*, 464 U. S. 16, 20 (1983). Section

1962(c) makes it unlawful "for any person employed by or associated with any enterprise . . . to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity . . . ."

The narrow question in this case is the meaning of the phrase "to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs." The word "conduct" is used twice, and it seems reasonable to give each use a similar construction. See *Sorenson* v. *Secretary of the Treasury*, 475 U. S. 851, 860 (1986). As a verb, "conduct" means to lead, run, manage, or direct. Webster's Third New International Dictionary 474 (1976). Petitioners urge us to read "conduct" as "carry on," Brief for Petitioners 23, so that almost any involvement in the affairs of an enterprise would satisfy the "conduct or participate" requirement. But context is important, and in the context of the phrase "to conduct . . . [an] enterprise's affairs," the word indicates some degree of direction.[3]

The dissent agrees that, when "conduct" is used as a verb, "it is plausible to find in it a suggestion of control." *Post*, at 2. The dissent prefers to focus on

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[3]The United States calls our attention to the use of the word "conduct" in 18 U. S. C. §1955(a), which penalizes anyone who "conducts, finances, manages, supervises, directs, or owns all or part of an illegal gambling business." See Brief for United States as *Amicus Curiae* 13, n. 11; Tr. of Oral Arg. 24–25. This Court previously has noted that the Courts of Appeals have interpreted this statute to proscribe "any degree of participation in an illegal gambling business, except participation as a mere bettor." *Sanabria* v. *United States*, 437 U. S. 54, 70–71, n. 26 (1978). We may assume, however, that "conducts" has been given a broad reading in this context to distinguish it from "manages, supervises, [or] directs."

"conduct" as a noun, as in the phrase "participate, directly or indirectly, in the conduct of [an] enterprise's affairs." But unless one reads "conduct" to include an element of direction when used as a noun in this phrase, the word becomes superfluous. Congress could easily have written "participate, directly or indirectly, in [an] enterprise's affairs," but it chose to repeat the word "conduct." We conclude, therefore, that as both a noun and a verb in this subsection "conduct" requires an element of direction.

The more difficult question is what to make of the word "participate." This Court previously has characterized this word as a "ter[m] . . . of breadth." *Russello*, 464 U. S., at 21–22. Petitioners argue that Congress used "participate" as a synonym for "aid and abet." Brief for Petitioners 26. That would be a term of breadth indeed, for "aid and abet" "comprehends all assistance rendered by words, acts, encouragement, support, or presence." Black's Law Dictionary 68 (6th ed. 1990). But within the context of §1962(c), "participate" appears to have a narrower meaning. We may mark the limits of what the term might mean by looking again at what Congress did *not* say. On the one hand, "to participate . . . in the conduct of . . . affairs" must be broader than "to conduct affairs" or the "participate" phrase would be superfluous. On the other hand, as we already have noted, "to participate . . . in the conduct of . . . affairs" must be narrower than "to participate in affairs" or Congress' repetition of the word "conduct" would serve no purpose. It seems that Congress chose a middle ground, consistent with a common understanding of the word "participate" — "to take part in." Webster's Third New International Dictionary 1646 (1976).

Once we understand the word "conduct" to require some degree of direction and the word "participate" to require some part in that direction, the meaning of

§1962(c) comes into focus. In order to "participate, directly or indirectly, in the conduct of such enterprise's affairs," one must have some part in directing those affairs. Of course, the word "participate" makes clear that RICO liability is not limited to those with primary responsibility for the enterprise's affairs, just as the phrase "directly or indirectly" makes clear that RICO liability is not limited to those with a formal position in the enterprise,[4] but *some* part in directing the enterprise's affairs is required. The "operation or management" test expresses this requirement in a formulation that is easy to apply.

This test finds further support in the legislative history of §1962. The basic structure of §1962 took shape in the spring of 1969. On March 20 of that year, Senator Hruska introduced S. 1623, 91st Cong., 1st Sess., which combined his previous legislative proposals. See Lynch, RICO: The Crime of Being a Criminal, Parts I & II, 87 Colum. L. Rev. 661, 676 (1987); Blakey & Gettings, Racketeer Influenced and Corrupt Organizations (RICO): Basic Concepts — Criminal and Civil Remedies, 53 Temp. L. Q. 1009, 1017 (1980). S. 1623 was titled the "Criminal Activities Profits Act" and was directed solely at the investment of proceeds derived from criminal

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[4]For these reasons, we disagree with the suggestion of the Court of Appeals for the District of Columbia Circuit that §1962(c) requires "*significant control* over or within an enterprise." *Yellow Bus Lines, Inc.* v. *Drivers, Chauffeurs & Helpers Local Union 639*, 286 U. S. App. D. C. 182, 188, 913 F. 2d 948, 954 (1990) (en banc) (emphasis added), cert. denied, 501 U. S. ___ (1991).

activity.[5] It was §2(a) of this bill that ultimately became §1962(a).

On April 18, Senators McClellan and Hruska introduced S. 1861, 91st Cong., 1st Sess., which recast S. 1623 and added provisions that became §§1962(b) and (c).[6] See Blakey, The RICO Civil Fraud Action in Context: Reflections on *Bennett v. Berg*, 58 Notre Dame L. Rev. 237, 264, n. 76 (1982). The first

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[5]S. 1623 provided in relevant part:

"SEC. 2. (a) Whoever, being a person who has received any income derived directly or indirectly from any criminal activity in which such person has participated as a principal within the meaning of section 2, title 18, United States Code applies any part of such income or the proceeds of any such income to the acquisition by or on behalf of such person of legal title to or any beneficial interest in any of the assets, liabilities, or capital of any business enterprise which is engaged in, or the activities of which affect, interstate or foreign commerce shall be guilty of a felony and shall be fined not more than $10,000, or imprisoned not more than ten years, or both."

[6]S. 1861 provided in relevant part:

"§1962. Prohibited racketeering activities

"(a) It shall be unlawful for any person who has knowingly received any income derived, directly or indirectly, from a pattern by *[sic]* racketeering activity to use or invest, directly or indirectly, any part of such income, or the proceeds of such income, in acquisition of any interest in, or the establishment or operation of, any enterprise which is engaged in, or the activities of which affect, interstate or foreign commerce.

line of S. 1861 reflected its expanded purpose: "to prohibit the infiltration *or management* of legitimate organizations by racketeering activity or the proceeds of racketeering activity" (emphasis added).

On June 3, Assistant Attorney General Will Wilson presented the views of the Department of Justice on a number of bills relating to organized crime, including S. 1623 and S. 1861, to the Subcommittee on Criminal Laws and Procedures of the Senate Committee on the Judiciary. Wilson criticized S. 1623 on the ground that "it is too narrow in that it merely prohibits the investment of prohibited funds in a business, but fails to prohibit the control *or operation* of such a business by means of prohibited racketeering activities." Measures Related to Organized Crime: Hearings before the Subcommittee on Criminal Laws and Procedures of the Senate Committee on the Judiciary, 91st Cong., 1st Sess., 387 (1969) (emphasis added). He praised S. 1861 because the "criminal provisions of the bill contained in Section 1962 are broad enough to cover most of the methods by which ownership, control *and operation* of business concerns are acquired" (emphasis added). *Ibid.* See Blakey, *supra*, at 258, n. 59.

"(b) It shall be unlawful for any person to acquire or maintain, directly or indirectly, any interest in or control of any enterprise which is engaged in, or the activities of which affect, interstate or foreign commerce, through a pattern of racketeering activity or through collection of unlawful debt.

"(c) It shall be unlawful for any person employed by or associated with any enterprise engaged in, or the activities of which affect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity."

With alterations not relevant here, S. 1861 became Title IX of S. 30. The House and Senate Reports that accompanied S. 30 described the three-part structure of §1962:

> "(1) making unlawful the receipt or use of income from `racketeering activity' or its proceeds by a principal in commission of the activity to acquire an interest in or establish an enterprise engaged in interstate commerce; (2) prohibiting the acquisition of any enterprise engaged in interstate commerce through a `pattern' of `racketeering activity;' and (3) proscribing the *operation of any enterprise* engaged in interstate commerce through a `pattern' of `racketeering activ-ity.'" H.R. Rep. No. 91–1549, p. 35 (1970); S. Rep. No. 91–617, p. 34 (1969) (emphasis added).

In their comments on the floor, members of Congress consistently referred to subsection (c) as prohibiting the *operation* of an enterprise through a pattern of racketeering activity and to subsections (a) and (b) as prohibiting the *acquisition* of an enterprise.[7] Representative Cellar, who was Chairman of the House Judiciary Committee that voted RICO out in

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[7]See, *e.g.*, 116 Cong. Rec. 607 (1970) (remarks of Sen. Byrd of West Virginia) ("to acquire an interest in businesses . . . , or to acquire or operate such businesses by racketeering methods"); *id.*, at 36294 (remarks of Sen. McClellan) ("to acquire an interest in a business . . . , to use racketeering activities as a means of acquiring such a business, or to operate such a business by racketeering methods"); *id.*, at 36296 (remarks of Sen. Dole) ("using the proceeds of racketeering activity to acquire an interest in businesses engaged in interstate commerce, or to acquire or operate such businesses by racketeering methods"); *id.*, at 35227 (remarks of Rep. Steiger) ("the use of specified racketeering methods to acquire or operate commercial organizations").

1970, described §1962(c) as proscribing the "conduct of the affairs of a business by a person acting in a *managerial* capacity, through racketeering activity." 116 Cong. Rec. 35196 (1970) (emphasis added).

Of course, the fact that members of Congress understood §1962(c) to prohibit the operation or management of an enterprise through a pattern of racketeering activity does not necessarily mean that they understood §1962(c) to be limited to the operation or management of an enterprise. Cf. *Turkette*, 452 U. S., at 591 (references to the infiltration of legitimate organizations do not "requir[e] the negative inference that [RICO] did not reach the activities of enterprises organized and existing for criminal purposes"). It is clear from other remarks, however, that Congress did not intend RICO to extend beyond the acquisition or operation of an enterprise. While S. 30 was being considered, critics of the bill raised concerns that racketeering activity was defined so broadly that RICO would reach many crimes not necessarily typical of organized crime. See 116 Cong. Rec. 18912–18914, 18939–18940 (1970) (remarks of Sen. McClellan). Senator McClellan reassured the bill's critics that the critical limitation was not to be found in §1961(1)'s list of predicate crimes but in the statute's other requirements, including those of §1962:

> "The danger that commission of such offenses by other individuals would subject them to proceedings under title IX [RICO] is even smaller than any such danger under title III of the 1968 [Safe Streets] [A]ct, since commission of a crime listed under title IX provides only one element of title IX's prohibitions. Unless an individual not only commits such a crime but engages in a pattern of such violations, and uses that pattern to obtain or operate an interest in an interstate business, he is not made subject to proceedings under title IX." 116 Cong. Rec., at 18940.

Thus, the legislative history confirms what we have already deduced from the language of §1962(c) — that one is not liable under that provision unless one has participated in the operation or management of the enterprise itself.

RICO's "liberal construction" clause does not require rejection of the "operation or management" test. Congress directed, by §904(a) of Pub. L. 91–452, 84 Stat. 947, see note following 18 U. S. C. §1961, p. 438, that the "provisions of this title shall be liberally construed to effectuate its remedial purposes." This clause obviously seeks to ensure that Congress' intent is not frustrated by an overly narrow reading of the statute, but it is not an invitation to apply RICO to new purposes that Congress never intended. Nor does the clause help us to determine what purposes Congress had in mind. Those must be gleaned from the statute through the normal means of interpretation. The clause "`only serves as an aid for resolving an ambiguity; it is not to be used to beget one.'" *Sedima, S. P. R. L.* v. *Imrex Co.*, 473 U. S. 479, 492, n. 10 (1985), quoting *Callanan* v. *United States*, 364 U. S. 587, 596 (1961). In this case it is clear that Congress did not intend to extend RICO liability under §1962(c) beyond those who participate in the operation or management of an enterprise through a pattern of racketeering activity.[8]

Petitioners argue that the "operation or

[8]Because the meaning of the statute is clear from its language and legislative history, we have no occasion to consider the application of the rule of lenity. We note, however, that the rule of lenity would also favor the narrower "operation or management" test that we adopt.

management" test is flawed because liability under §1962(c) is not limited to upper management but may extend to "any person employed by or associated with [the] enterprise." Brief for Petitioners 37–40. We agree that liability under §1962(c) is not limited to upper management, but we disagree that the "operation or management" test is inconsistent with this proposition. An enterprise is "operated" not just by upper management but also by lower-rung participants in the enterprise who are under the direction of upper management.[9] An enterprise also might be "operated" or "managed" by others "associated with" the enterprise who exert control over it as, for example, by bribery.

The United States also argues that the "operation or management" test is not consistent with §1962(c) because it limits the liability of "outsiders" who have no official position within the enterprise. Brief for United States as *Amicus Curiae* 12 and 15. The United States correctly points out that RICO's major purpose was to attack the "infiltration of organized crime and racketeering into legitimate organizations," S. Rep. No. 91–617, at 76, but its argument fails on several counts. First, it ignores the fact that §1962 has four subsections. Infiltration of legitimate organizations by "outsiders" is clearly addressed in subsections (a) and (b), and the "operation or management" test that applies under subsection (c) in no way limits the application of subsections (a) and

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[9]At oral argument, there was some discussion about whether low-level employees could be considered to have participated in the conduct of an enterprise's affairs. See Tr. of Oral Arg. 12, 25–27. We need not decide in this case how far §1962(c) extends down the ladder of operation because it is clear that Arthur Young was not acting under the direction of the Co-Op's officers or board.

(b) to "outsiders."[10] Second, §1962(c) is limited to persons "employed by or associated with" an enterprise, suggesting a more limited reach than subsections (a) and (b), which do not contain such a restriction. Third, §1962(c) cannot be interpreted to reach complete "outsiders" because liability depends on showing that the defendants conducted or participated in the conduct of the "*enterprise's* affairs," not just their *own* affairs. Of course, "outsiders" may be liable under §1962(c) if they are "associated with" an enterprise and participate in the conduct of *its* affairs — that is, participate in the operation or management of the enterprise itself — but it would be consistent with neither the language nor the legislative history of §1962(c) to interpret it as broadly as petitioners and the United States urge.

In sum, we hold that "to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs," §1962(c), one must participate in the operation or management of the enterprise itself.

Both the District Court and the Court of Appeals applied the standard we adopt today to the facts of this case, and both found that respondent was entitled to summary judgment. Neither petitioners nor the United States have argued that these courts misapplied the "operation or management" test. The dissent argues that by creating the Co-Op's financial statements Arthur Young participated in the management of the Co-Op because "`financial statements are management's responsibility.'" *Post*, at 5, quoting 1 CCH AICPA Professional Standards, SAS No. 1, §110.02 (1982). Although the professional standards adopted by the accounting profession may be relevant, they do not define what constitutes

[10]Subsection (d) makes it unlawful to conspire to violate any of the other three subsections.

management of an enterprise for the purposes of §1962(c).

In this case, it is undisputed that Arthur Young relied upon existing Co-Op records in preparing the 1981 and 1982 audit reports. The AICPA's professional standards state that an auditor may draft financial statements in whole or in part based on information from management's accounting system. See 1 CCH AICPA Professional Standards, SAS No. 1, §110.02 (1982). It is also undisputed that Arthur Young's audit reports revealed to the Co-Op's board that the value of the gasohol plant had been calculated based on the Co-Op's investment in the plant. See App. in No. 87–1726 (CA8), pp. 250–251, 272–273. Thus, we only could conclude that Arthur Young participated in the operation or management of the Co-Op itself if Arthur Young's failure to tell the Co-Op's board that the plant should have been given its fair market value constituted such participation. We think that Arthur Young's failure in this respect is not sufficient to give rise to liability under §1962(c).

The judgment of the Court of Appeals is affirmed.

It is so ordered.